



NPF Industry Pty Ltd Submission to the “Developing the North” Inquiry



Table of Contents

KEY RECOMMENDATIONS:.....	3
BACKGROUND.....	4
FIRST PRINCIPLES	6
RECOMMENDATIONS TO THE ‘DEVELOPING THE NORTH’ INQUIRY	7
TAXATION	7
Accelerated Depreciation for New Trawlers:	7
Freight Equalisation Scheme:	8
Fuel:	8
Refrigeration Gas:	8
Oil & Gas Industry:	9
INFRASTRUCTURE	9
Karumba Airport:	9
Roads:	10
Telecommunications:.....	10
Gove:.....	10
Cairns:	10
Appendix 1: The Australian Fishing Industry – A Significant Economic Contributor	10

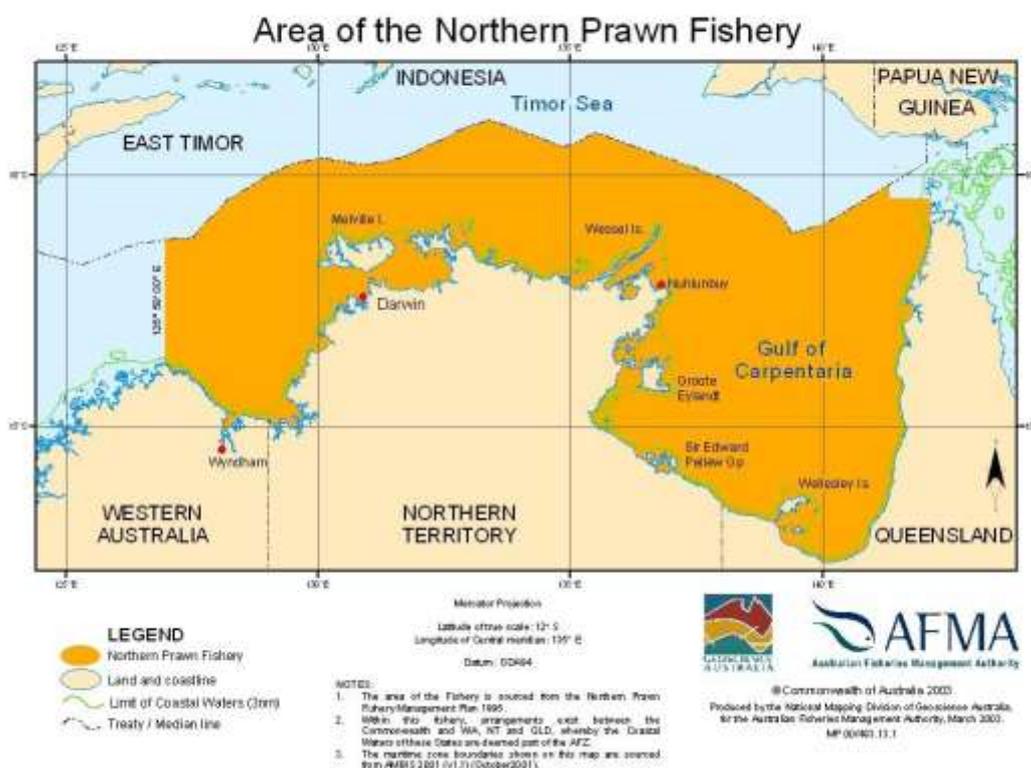
KEY RECOMMENDATIONS:

- **The review must acknowledge the importance of the Northern Prawn Fishery (NPF) as a significant socio-economic contributor to the Australian economy and regional communities in the North**
- **Any future development in the North which may impact on the NPF should be undertaken in accordance with the 'First Principles' outlined in this Submission**
- **The review should investigate opportunities to improve the economic return from the Northern Prawn fishing industry through taxation relief in the form of accelerated depreciation and/or ship building subsidies for new boats, and government assistance to offset high fuel, freight and refrigerant gas costs**
- **Infrastructure improvements in the form of all-weather roads, commercial airline services and aviation fuel storage facilities are required in the far North, particularly in the Karumba region**
- **Improved access, unloading and cold storage facilities should be established for the use of the commercial fishing industry at Gove**
- **Wharf facilities in Cairns need to be upgraded and increased to accommodate the commercial fishing industry, a key economic contributor to the Cairns region**
- **Improvements in telecommunications services are needed for the North, including for the fishing industry**

BACKGROUND

This Submission is made on behalf of the Northern Prawn Fishery Pty Ltd (NPF) which represents Commonwealth Statutory Fishing Rights holders in the Northern Prawn Fishery (NPF). Our industry is comprised of a combination of individuals, small businesses and corporate fishing companies, many of whom are from intergenerational fishing families who have been involved in the NPF since the 1970's.

The Northern Prawn Fishery is the Commonwealth's most valuable fishery, and Australia's largest and most valuable prawn fishery. The fishery operates over a vast and remote wilderness area with which encompasses 770,000 kilometres of ocean from Cape York in Queensland to Cape Londonderry in Western Australia.



The gross value production (GVP) of the NPF was estimated at approximately \$94 million in 2010/11 (ABAREs 2012). The GVP of the NPF represents a significant component of the total economic contribution of Australian fisheries to Australia's domestic and export economies, and to regional economies in the North. The collective GVP of State and Commonwealth fisheries in the Gulf of Carpentaria region alone is estimated at >\$200 million (CSIRO 2009).

The direct catch production values (GVP) of the NPF and other commercial fisheries in the North under-represent the social and economic contribution of these fisheries. GVP does not capture value adding activities, or the value arising from leverage through other fishing

industry activities. A 2009 World Bank study¹ found that around 80% of the total value of wild catch seafood production is created during activities throughout the processing and supply chain activities.

The Northern Prawn Fishery is a demersal otter trawl fishery which is managed through a combination of input controls (limited entry, seasonal closures, permanent area closures, gear restrictions and operational controls) which are implemented under the Northern Prawn Fishery Management Plan 1995 (the Management Plan). The Fishery targets nine commercial species of prawns including White Banana (*Fenneropenaeus merguensis*), Red-legged Banana (*F. indicus*), Brown Tiger (*Penaeus esculentus*), Grooved Tiger (*P. semisulcatus*), Blue Endeavour (*Metapenaeus endeavouri*), and Red Endeavour (*M. ensis*). Scampi, squid, scallops and bugs are also taken. Production rates are heavily affected by environmental conditions and can vary considerably from year to year.

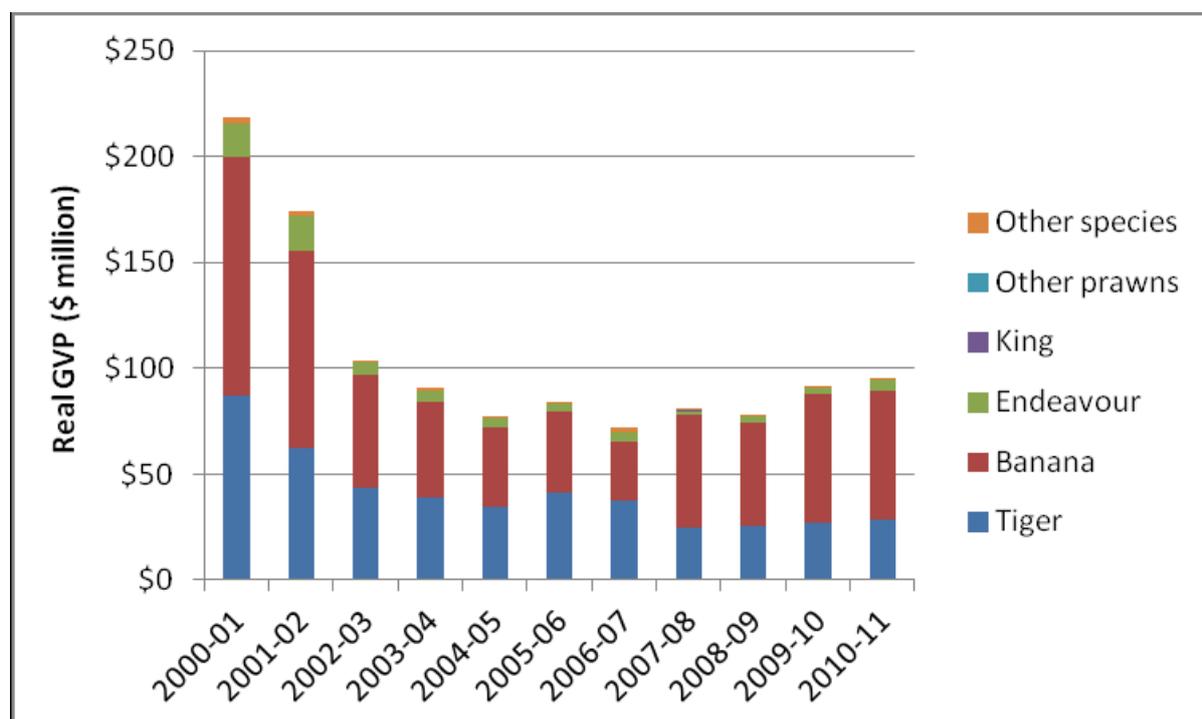


Figure 1 Northern Prawn Fishery: real gross value of production in 2011–12 dollars³

An ecosystem based management approach including the voluntary protection of key habitats and ecosystems on which our fishery depends has been adopted in the NPF for many years. The NPF is the only tropical prawn fishery in Australia² to have achieved certification as a sustainably managed fishery by the prestigious Marine Stewardship Council.

¹ World Bank Report: The Sunken Billions: Economic justification for fisheries reform (2009). Available at <http://siteresources.worldbank.org/EXTARD/Resources/3366811224775570533/SunkenBillionsFinal.pdf>

² And one of only two in the world

The NPF was the first fishery in Australia to adopt Maximum Economic Yield (MEY) as its target reference point as part of its Harvest Strategy. The NPF Harvest Strategy is targeted at ensuring the sustainable and economically efficient use of the fishery's marine resources for current and future generations.

The health and productivity of fisheries resources in the Northern Prawn Fishery rely heavily on water flow from Northern rivers and healthy, sustainable eco-systems. The productivity of NPF banana prawns in particular is highly correlated to rainfall and river flow. Any reduction in water flow and/or deterioration in the health of the fragile eco-systems on which fisheries production is so reliant can potentially negative impact on these resources.

The Northern Prawn Fishery has a unique, highly valuable, and important role as the provider of fresh frozen, high quality wild catch prawns and other marine products (including bugs and squid) to local, regional and urban communities and to export markets. The fishery is a significant socio-economic contributor to many regional communities around Australia including Cairns, Karumba and Darwin in the North through direct and indirect employment, onshore processing, repairs and maintenance, and the retail and food services industries.

There are unique challenges associated with operating fishing businesses in the remote North, including extremely high operational costs, lack of infrastructure, and limited support services. Northern Prawn operators need certainty and confidence that they will have long-term access to their primary resource to attract investment, retain a skilled workforce, remain profitable and support on-shore businesses.

The NPF is committed to working with governments and other interested parties to achieve optimum outcomes for the fishing industry, and for the Australian community, of the fisheries resources in the Northern Prawn Fishery.

FIRST PRINCIPLES

The NPF relies on a number of 'First Principles' for government consideration in developing the North as follows:

- The Northern Prawn Fishery must be recognised as an important and integral contributor to the economic, environmental and social fabric of the North
- No diminution in the number or value NPF Statutory Fishing Rights should occur as a result of future development in the North
- Proponents of future developments should be required to undertake Environmental Impact Studies and/or Risk Assessments in accordance with State and Federal Government Policy/ies

- All development applications must specifically address the potential impacts of the development on fisheries production systems, (including potential downstream impacts of allocation of water rights, diversion and/or damming of rivers), and the social, economic and cultural heritage values of commercial fishing in the Northern Prawn Fishery
- Decisions around water allocation must ensure that there is sufficient water to maintain adequate environmental flow for fisheries production systems
- Potential for habitat degradation, water pollution, sediment run off, contamination from pollutants/bio-chemicals to negatively impact on aquatic (freshwater or marine) production systems and the eco-systems which support those production systems must be minimised to the greatest extent possible

RECOMMENDATIONS TO THE 'DEVELOPING THE NORTH' INQUIRY

The NPF Industry Pty Ltd proposes that there are some key areas which government can address to specifically improve the socio-economic returns to the North region from the Northern Prawn Fishery. These are addressed as follows:

TAXATION

Accelerated Depreciation for New Trawlers:

The NPF has an aging fleet with the majority of the trawlers being between 30 and 40 years old. The costs of undertaking major refits and repairs on these boats to keep them operating at maximum functionality and productivity in a remote, relatively inaccessible fishery where engineering facilities are scarce and expensive are extremely high.

On average, annual repairs and maintenance costs incurred in refitting trawlers each year represent approximately 10% of total operating costs. This does not include capital expenditure to replace engines, refrigeration plants and other equipment as required from time to time.

Ideally these aged trawlers should be replaced with new purpose-built trawlers with sophisticated, on-board processing plants. This will allow NPF operators to maximise the value of the catch by allowing on-board value-adding (for both target species and bycatch utilisation) to obtain the highest economic return from the fishery. There is also an urgent need to embrace new concepts in refrigeration to provide safer, more energy efficient boats that have refrigeration systems running on gasses that can still be accessed as a result of the phase out of R22. This undertaking will be most effective if incorporated into new trawler designs.

It is estimated that the cost of replacing new boats to suit the NPF would be in the order of \$6 million each. Few if any operators can afford an investment of that magnitude, particularly given that the majority of NPF operators own more than one boat.

A key incentive from Government to maximise the economic returns from the NPF to the Australian economy could be taxation relief in the form of accelerated depreciation and/or a period of ship building subsidy. This would not only increase the economic returns to the fishery and to regional communities (e.g. Cairns, Darwin, Karumba) but would also assist the flailing ship building industry in other parts of Australia (e.g. Port Lincoln).

Freight Equalisation Scheme:

The remote location of the fishery and the lack of competition results in extremely high freight transportation costs, which adds to the costs of doing business in the remote North. Freight costs represent up to 10% of total operational costs. It is therefore proposed that Government investigate the possibility of introducing a freight equalisation scheme for primary producers. The scheme should apply to seafood products being transhipped and/or transported from ports and/or ship cargo within the NPF to Cairns and Darwin for sale on both domestic and export markets.

Fuel:

The cost of fuel in Karumba, Darwin and Gove is very high. This is largely due to the lack of competition and high freight costs. Fuel costs for trawler operators represent between 20 and 30% of total operational costs. Refuelling in Karumba and/or Gove can increase fuel costs by an additional 16 - 25% (compared to Cairns). There is a need for government to investigate ways to reduce fuel costs in the remote North if fishing operators in the region are going to remain competitive in the global market.

The fuel rebate scheme must be retained. An option to address the disparity in fuel costs in the Far North would be to increase the level of rebate to fishing operators.

Refrigeration Gas:

The phase out of R22, the refrigerant gas most commonly used by the fishing industry both on fishing trawlers and in processing factories and cold storage facilities, is severely disadvantaging industry. As the supply of this refrigerant gas shortens, commercial fishers are currently being forced to pay up to \$125 per kilogram. This is a 500% increase from 18 months ago when operators were paying \$22 per kilogram. Our international industry competitors in Indonesia, the Philippines, Malaysia and New Guinea are able to purchase this gas for around \$7 per kilogram (or less).

The phase out of R22 is occurring as a result of the Government's agreement to the Kyoto protocols. The Review Committee should therefore investigate ways of offsetting the increased costs of this refrigerant and/or contribute to the design, development and installation of refrigeration systems which will operate on alternative gases. This could

include taxation relief in the form of accelerated depreciation and/or subsidies for new refrigeration plants.

Oil & Gas Industry:

NPF operators are becoming increasingly concerned about the rapid expansion of the marine Oil and Gas industry into traditional trawling grounds, and the potential impacts of seismic and other exploration on fisheries production in the NPF. To date, there has been very little scientific research undertaken and there is very little information available on the impacts of seismic on the productivity of crustaceans.

As well as potential impacts on production and sustainability of our marine resources, our industry is concerned about the reputational risks to the 'clean green' image of our products which may be triggered as a result of oil spills and other pollution resulting from activities of the Oil and Gas industry. The review should ensure that future expansion of this industry cannot negatively impact on other stakeholders, including the commercial fishing industry.

INFRASTRUCTURE

Operators in the NPF rely heavily on the existing infrastructure with the area of the fishery, including Karumba and Gove. In particular, Karumba is a central port for unloading, transportation of product and provisions, and repairs and maintenance.

Karumba Airport:

There are currently no commercial flight services in and out of Karumba. All flights are in and out of Normanton. The lack of competition results in the costs of commuter flights and freight services being extremely expensive. Furthermore, Karumba frequently becomes isolated during wet seasons. This requires travellers to charter small aircraft to get access in or out of Karumba during those periods. Karumba is the commercial and tourist hub of the Carpentaria Shire.

Businesses in particular, and the Southern Gulf community in general, would benefit both economically and operationally by having a commercial airline service operating out of Karumba. It is understood that airlines operating in regional Queensland are subsidised to some degree by the State Government to assist with offsetting some of the costs of operating in the remote North. Government could and should encourage commercial airline companies to service Karumba by including Karumba on the subsidy list. Having a commercial airline service operating out of Karumba would also bring increased employment opportunities and greater economic benefits to the Karumba region.

Furthermore there is no aviation fuel depot in Karumba. All aviation fuel must be taken from Normanton or Burketown. This can have the effect of increasing costs of aviation fuel used in prawn spotting activities by between 15 and 20% (including flight time & landing fees).

Aviation fuel storage facilities should be built to facilitate access to fuel for aircraft using the Karumba airport.

Roads:

Road access to Karumba is often cut during the annual wet seasons. Roads into Karumba from the East Coast needs to be upgraded to allow for all weather access.

Telecommunications:

Telecommunications for fishing boats operating in the North is an area where significant improvements are required. *Next G* coverage for telephone and internet services is limited and spasmodic, with many areas in the NPF having no *Next G* coverage at all. This requires operators to revert to using Satellite telephones to keep in contact with their on-shore fleet managers and to provide important real time electronic catch and effort data to the Australian Fisheries Management Authority (AFMA) in accordance with its 'cost effective and efficient' fisheries management objective. The use of Satellite phone systems is extremely expensive with call costs ranging between \$1.80 and \$2.50 per minute. The profitability of the fishery and communication services for the community in general would improve if *Next G* coverage was expanded to cover the entirety of the North.

Gove:

Facilities available to fishing operators are limited and access to Gove wharf is difficult due to the security constraints currently in place. Cold Storage facilities and 24hr unloading facilities for vessels up to 30 metres is needed. This would allow seafood products to be unloaded at Nhulunbuy and trucked back to Darwin, saving operators both fuel costs and loss of fishing time.

Cairns:

Wharf facilities in Cairns are antiquated and over-crowded. Significant investment needs to be made to upgrade the wharf facilities to accommodate the commercial fishing industry, one of the largest contributors to the Cairns economy and one of the biggest users of the Port of Cairns.

Appendix 1: The Australian Fishing Industry – A Significant Economic Contributor

Australia's commercial fishing and aquaculture industry is worth over \$2 billion annually. The seafood industry provides:

- a substantial economic contribution to Australia's domestic and export economies, both regionally and nationally;
- healthy, high quality and sustainably sourced food
- Regional employment;
- cost effective monitoring of the marine environment;
- economic diversification and resilience for regional communities; and,

- consumers with the pleasure of freshly harvested, premium quality and tasty seafood.

Commercial fisheries in the North make a major contribution to this national profile. Whilst the economic value of all commercial fisheries North of the Tropic of Capricorn is unknown, production for wild catch fisheries within the current North Marine Protected Area alone was estimated at approximately \$110 million in 2005, with current value estimates significantly exceeding this figure.

The Fisheries Research & Development Corporation estimates that seafood-industry related- employment in Australia is between 100,000 and 110,000³.

In addition, the Australian Government has made significant investments in management, research and structural adjustment programs over the past 30 years to ensure that the NPF continues to be economically and environmentally sustainable. Any future development in the North should aim to enhance those investments and the fishing industry businesses which have been established in the North for more than 30 years, and should not threaten or detract from them in any way.

End.

³ 'NPF INDUSTRY PTY LTD SUBMISSION On the Commonwealth's Proposed Network of Marine Reserves 11th September 2012'